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In the Matter of
The Chubb Corporation

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ASSURANCE OF DISCONTINUANCE

Pursuant to the provisions of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 et seq.), the Martin Act (Gen. Bus. Law § 352-c) and the common law of the State of New York, Eliot Spitzer, Attorney General of the State of New York, caused an investigation to be made of The Chubb Corporation, a New Jersey company, and its insurance subsidiaries (collectively, "Chubb"), relating to Chubb's practices in the marketing, sale, renewal, placement or servicing of insurance and reinsurance and Chubb's accounting and public reporting practices, including those relating to nontraditional and finite insurance and reinsurance (the "Investigation"); and pursuant to Conn. Gen. Stat. § 35-24 et seq. (the Connecticut Antitrust Act) and Conn. Gen. Stat. § 42-110a et seq. (the Connecticut Unfair Trade Practices Act), Richard Blumenthal, Attorney General of the State of Connecticut, caused an investigation to be made of Chubb on the subject matter of the Investigation; and pursuant to the Illinois Antitrust Act, 740 ILCS 10/1 et seq., and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq., and Lisa Madigan, Attorney General of the State of Illinois, caused an investigation to be made of Chubb on the subject matter of the Investigation (collectively the "Attorneys General Investigations"); and based upon the Attorneys General Investigations the following findings are made.

Steering

1. Since at least the mid-1990s, Chubb and other insurers have paid hundreds of millions of dollars in undisclosed "contingent commissions" to the world's largest insurance brokers and agents (collectively "Producers"[1]), including Marsh & McLennan Companies, Inc. or Marsh Inc. (collectively "Marsh"), Aon Corporation ("Aon"), Willis Group Holding Ltd. ("Willis"), Arthur J. Gallagher & Co. ("Gallagher"), Hilb, Rogal and Hobbs, Inc. ("HRH"), and Acordia, Inc. ("Acordia"), as well as thousands of smaller regional and local brokers and independent insurance agents.

2. Chubb entered into many of these undisclosed contingent commission agreements (also known as override agreements) with Producers with the intent that the money Chubb paid Producers would affect the purchasing advice those Producers gave their clients. As one Chubb Executive Vice President wrote to Marsh during negotiations over Chubb's 2002 Personal Lines contingent commission agreement with Marsh: "Our definition of 'incentive' is that you are financially motivated to act in Chubb's best interests. In that context, we believe we deserve … to be your preferred carrier, and that payments on top of healthy commission levels should be commensurate with our ability to obtain solid growth, as well as profit." A memorandum to all Chubb U.S. and Canadian Branch and Marketing Managers made clear that "Contingent commission plays an <u>important</u> role in managing and influencing our distribution network." (emphasis in original). Chubb placed its Producers in "tiers" according to their loyalty to Chubb.

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[1] For purposes of this Agreement, "Producer" shall mean any insurance broker as that term is defined in § 2101(c) of the Insurance Law of the State of New York or any independent insurance agent as that term is defined in § 2101(b) of the Insurance Law of the State of New York and who offers insurance for a specific product or line from more than one insurer or affiliated group of insurers.

The most desirable and highly paid "tier" was reserved for Producers whose "contingent compensation is an integral part of their compensation and impacts their behavior."

3. Chubb was among the highest payors of contingent commissions and their use permeated Chubb's business strategy. A committee of Chubb senior executives formed specifically to examine "how contingents drive producer behavior" found that, from 1998 to 2002, Chubb consistently paid a higher percentage of contingent commissions than nearly all of Chubb's competitors. The Chubb committee further found that, from 1999 to 2003, Chubb paid nearly $850 million in contingent commissions, with nearly $100 million going to Marsh alone between 1999 and 2002. One of the "key learning points" set out by the committee was that Chubb contingent commissions "must be directed at changing behavior" – in other words, getting Producers to favor Chubb.

4. As a result of their contingent commission agreements with Chubb, Producers steered insurance policies to Chubb in order to (a) give Chubb new business; (b) keep retention levels (that is the percentage of customers who elect to keep their insurance with their current carrier when a policy comes up for renewal) of existing Chubb policies above certain benchmarks; and (c) direct more profitable policies to Chubb. In some instances, the effect of these agreements was to keep premiums higher than they otherwise would have been. Producers purported to offer unbiased recommendations to their clients, but in many cases nevertheless agreed to abide by Chubb-recommended sales protocols that encouraged clients to renew or purchase only Chubb insurance. At Chubb's request, some Producers gave Chubb preferential treatment by allowing Chubb "first-looks," "last looks" and "rights of first refusal" on especially

profitable accounts, most particularly Chubb's "Signature" account line catering to wealthy individuals and families.

5. Steering by Producers was encouraged by the basic structure of the contingent commission agreements, which often paid increasingly higher hidden commissions as Producers steered more and more business to Chubb. The 2001 Chubb contingent commission agreement paid Aon a flat override of 1.5% of premium on nearly all commercial premium placed with Chubb. On top of that payment, Chubb also agreed to pay Aon an additional 1% if Aon grew its Chubb Commercial Lines business by 10%, an additional 1.5% for 15% premium growth, and another 2% for 20% growth. At the end of the year, Producers scrambled to meet higher production goals in order to earn a greater contingent commission. One Chubb executive wrote: "spoke to [name of producer] of Aon today and in an effort to maximize the Chubb incentive plan he asked for a list of all significant (6-7 figure) renewals and new lines for November and December .... His intent was to alert his people to the importance of renewing or placing these accounts with Chubb."

6. If Chubb thought a contingent commission agreement was not having its intended effect on a Producer, Chubb let that Producer know. Complaining about the loss of a profitable account to rival AIG, a Chubb Managing Director told Aon: "Aon made no attempt to keep this business with Chubb. The only way Aon could write this account was by cutting the price with another market.... It is undisputable that Aon continues to take Chubb business and place it with AIG. I am sure you can understand the ongoing friction this creates, and Chubb can not simply accept this from one of our key agency partners." Instead, Chubb expected "Aon senior

management to guide the process" and expressed confidence that Aon would do so on future accounts.

A. Millennium Partnership

7. One example of Chubb's contingent commission agreements with Producers is Chubb's Millennium Partnership Agreement with Acordia. In 1999 Acordia began a "Millennium Partnership Program" to "leverage our major market [insurer] relationships" by consolidating Acordia's insurance business with a small number of "Preferred Market Partners" and giving them "the inside track for future business development." Acordia hoped that this program would generate millions of dollars from its "Partners" over a three-year period. Chubb signed a Millennium Partnership Agreement with Acordia. Other insurers, including Travelers, Hartford, Royal SunAlliance and Atlantic Mutual also signed their own Millennium Partnership Agreements with Acordia.

8. Under its Millennium Agreement, Chubb paid Acordia an additional 1% override on top of Chubb's already existing Acordia override programs for all new Chubb insurance sold by Acordia. In return for the payments, Acordia agreed to "emphasize new business production for [Chubb] Personal Lines and Executive Protection [and] D&O [Directors and Officers insurance]." Acordia then circulated the details of the payment arrangement to Acordia sales staff to "help to maximize the incentive payments."

9. The Millennium Agreement was a success for Chubb. Whereas prior to the 1999 Millennium Agreement, Acordia complained of trouble selling Chubb policies because of Chubb's increasing prices, by 2001 Acordia was able to report to Chubb's COO that "we have

seen excellent growth and business mix that has been mutually beneficial.... There is no doubt that the high profile given to our Millennium Partners is now an integral part of our local, regional and national marketing strategies." Indeed one Acordia executive gushed that "the [Millennium] program with us has been great, we have grown with them [Chubb] a Hug[e] amount and all profitable."

10. Chubb paid handsomely for the increased business. During 1999 to 2001, Chubb paid over $10 million in contingent commissions to Acordia, with $3.7 million specifically under the Millennium Partnership.

11. At the end of 2001, Chubb left the Millennium program, not because it was unsuccessful, but because Chubb wanted to focus its contingent commission payments on the local Acordia agents who actually did the selling. A Chubb Senior Vice President wrote to Acordia: "All of our incentive compensation for agents and brokers is being done on a local basis where it actually leverages a business result." Chubb reassured Acordia that it still remained "one of our top brokers in the country" and that Chubb would "put a local performance based override in place to help drive the business result." Indeed, in 2002, Chubb contingent commission payments to Acordia decreased only $400,000, from $4 million in 2001 to $3.6 million in 2002. Overall, Chubb commissions to Acordia actually increased in 2002 to $27 million as compared to $23 million in 2001.

B. Other Examples of Undisclosed Producer Compensation

12. In addition to the more common contingent commission arrangements described above, Chubb also implemented more creative ways to pay Producers additional undisclosed

compensation in return for steering business to Chubb. Chubb did not disclose any of these arrangements to its customers.

1. Mountain View Indemnity

13. Mountain View Indemnity, Ltd. ("MVI") is a Bermuda-based insurance company set up in 1998 by Chubb to benefit regional Producers willing to promise they would steer set amounts of business to Chubb. Regional Producers are typically successful medium-sized insurance firms that sell insurance mainly to individuals and small- to medium-sized businesses. To secure the loyalty of these important sources of business, Chubb invited dozens of regional Producers to become part owners of MVI in return for a commitment to write at least $1 million (each) in new business with Chubb over three years. As part of the deal, Chubb agreed to use MVI to reinsure the clients that the Producers steered to Chubb. In exchange, MVI's Producer-owners agreed to pay a portion of any claims generated by their clients. Thus, the fewer claims a client had, the more money MVI's Producer-owners got to keep. As Chubb's MVI marketing brochure put it: "Independent producers and brokers have the opportunity to earn a greater return on their business as an owner of a reinsurance company that will assume a portion of the book of business the producers bring to Chubb." In other words, Chubb converted so-called independent agents and brokers into reinsurers with a financial interest in keeping the most profitable, low-claim policies with Chubb and their own reinsurance company (MVI), rather than searching for other insurers that might offer their clients better prices and better coverage.

14. To insure that new business kept flowing to Chubb, MVI Producers were required to replace 50% of the new premium reinsured through MVI, and 10% of the renewal premium,

within one year. As explained by Chubb:

> if in 1999 a producer moves $1,000,000 of business to MVI they owe Chubb $500,000 by year-end 2000. They can meet their 50% replacement requirement for new business by writing $250,000 in new business 1999 and another $250,000 in new business in 2000.

15. Chubb's MVI strategy worked. In 2000 and 2001, Chubb reported to its MVI Producer-owners that customer claims under MVI-reinsured policies were 50% lower than MVI's already low target and nearly three times lower than many similar policies. Premium reinsured by MVI was growing at more than 10% per year and there was a more than 96% renewal rate on MVI–reinsured policies. This was especially profitable since renewing policies is often cheaper than writing new policies because an insurer usually has to do little if any underwriting on a renewal. For 2001, Chubb set the goal of continuing "to Build the Mountain" by expanding the number of Producers involved in MVI, increasing gross premiums by one-third, and promising to "grow our MVI agents twice as fast as all others."

16. As owners of MVI, participating Producers received dividends for the business reinsured by MVI (in exchange for forgoing contingent commissions on this business). Chubb fully intended these payments to influence Producers' decisions to recommend Chubb insurance. MVI's President wrote: "MVI distributions to member producers are another way to compensate producers for the business they bring to Chubb." In its marketing presentation to Producers, Chubb stated that MVI's objective for Producers was "long term wealth creation" through MVI's tax deferred dividends and participation in the profits generated by the policies sold by MVI's Producers.

17. From 2000 to 2005, the 15 Producers in the New England based "cell" of MVI earned nearly $5 million in undisclosed dividends in return for steering approximately $100 million in premiums to Chubb. In total, MVI had 10 Producer cells covering regions throughout the United States, with approximately 200 different Producers participating as members of MVI. MVI was shut down by Chubb in 2005 in response to the Attorneys General Investigations and because some MVI Producers became concerned about disclosing their participation in MVI to their customers.

2. Producer Loans

18. Beginning in 1997, Chubb instituted a Producer Loan Initiative to increase and solidify Chubb's ties to important regional Producers and to encourage important producers to steer more business to Chubb. Chubb pursued this goal by loaning select Producers millions of dollars and tying the interest due on those loans directly to the amount of business the Producer sent to Chubb. If the Producer sold an agreed-upon increase in Chubb business, Chubb wrote off the loan interest completely under a so-called Special Incentive Plan, or "SIP." In each case, the decision to write off interest was made according to a strict mathematical formula set out in the loan agreement itself. In some cases, interest forgiveness was done on a sliding scale whereby if a Producer only reached 90% of its premium commitment, Chubb wrote off 90% of the annual interest payment. In other cases, if the Producer did not meet its commitment completely, the broker or agent would be required to make the full interest payment to Chubb. Interest payments on Chubb's Producer loans were in some cases hundreds of thousands of dollars per year, per Producer. In addition to SIP payments, some Chubb loans allowed a Producer to cancel some or

all of the loan principal (none of which was required to be paid back during the term of the loan) if the loss rate was low enough on the generated business and therefore Chubb had already made enough money on the Producer's business.

19. Chubb was clear about its purpose in instituting the Producer Loan Initiative:

> This is another way of more closely associating Chubb goals with that of our best producers. This is a true partnering since both sides receive large potential benefits. Loans are designed so that it is in their [the producers] best interest not only to place premium with Chubb, but rather to place profitable business.

Only those Producers in Chubb's "Top Tier Status" with significant books of business to steer wholesale – or "Significant Book Roll or Program Opportunities" – were offered loans. A producer loan "Strategy and Procedures" memorandum to all of Chubb's US Branch and Marketing Managers instructed that loans should be offered if it would "increase branch total premium in a meaningful way," and if "the majority of business coming from this producer comes in our highest margin lines" in order to "increase Chubb penetration in the agency significantly, giving us greater leverage." All loans were to include "a joint Chubb/Producer business plan" that "detailed actions for meeting Chubb's SIP premium and profitability targets." Indeed, Chubb loans frequently included a provision expressly stating that Chubb would not have offered the loan, and the Producer would not have accepted the loan, if it were not for the explicit tie between interest forgiveness and the production of business to Chubb. By encouraging the sale of higher "margin" lines, and thus higher premiums, Chubb's loan arrangements encouraged Producers to breach their fiduciary duty of loyalty to their clients.

20. The consequence for Producers of being indebted to Chubb is illustrated in Chubb correspondence from April 2005. Producer Hub International, Ltd. met all its SIP and production goals and received a letter from Chubb informing Hub that it qualified for both a complete write-off on its loan interest and a 60% write-off of the $7.5 million loan principal – a benefit worth well over $4 million to Hub. Just two weeks earlier the same Chubb executive wrote a similar letter to Producer Frenkel & Co., Inc. This time Chubb informed Frenkel that it had not met all of its production requirements. Chubb instructed Frenkel to send a check for over $65,000 to cover interest due on the Chubb loan.

21. Chubb's Producer Loan Program was successful. At the end of 2000, premium growth with Producers participating in the program had increased an average of 22% and Chubb agreed that "a disciplined producer loan program is a key component of our ongoing marketing strategy." By 2003, Chubb's Producer Loan Program was generating 29% growth among its participating Producers and a total of over $272 million in new premium for Chubb. As the head of the loan program told Chubb's COO, "the significant premium growth and excellent loss ratios of our current Producer Loan Program portfolio has shown it to be a very effective compensation tool."

22. In total, Chubb loaned 13 Producers a total of over $54 million. The largest of these loans was $15 million to a single Producer.

3. Producer Funding Agreements With Aon

23. In 2000 Chubb entered into a "producer funding agreement" with Aon under which Chubb paid 50% of the salaries of select Aon "producers," employees who were key Aon

decision makers in the placement process. In addition to Aon senior management, some of these Aon Producers were aware of Chubb's role in their employment. Although these Aon Producers were referred to as "dedicated Chubb Personal Lines Producer[s]," they held themselves out to their clients as unbiased Aon employees and never disclosed to their clients that Chubb was actually paying their salaries as part of an Aon commitment to steer business to Chubb.

24. As part of its investment in Aon, Chubb played an active role in the recruitment and oversight of Aon Producers, often hand-picking new "Aon employees" based on their previous demonstrated commitment to Chubb. In 1999, Chubb paid $18,800 to a recruiting firm to find "just the right person" to staff a personal lines position in Aon's Chicago office. Chubb also recommended a producer for Aon's New York office who was subsequently hired by Aon and funded by Chubb.

25. The producer funding agreements contained plain incentives for Aon producers to recommend Chubb insurance. A 2000 employment letter from Aon to a Chubb-funded producer in Aon's Cleveland office provided that in addition to a base salary of $65,000, "[y]ou are eligible for an annual bonus once you have reached your annual sales goal of $300,000 in new Chubb Personal Lines Premiums." In the first year of his employment, the same Cleveland producer was instructed by his supervisors that when making sales calls to prospective clients, he should only offer Chubb insurance. Other insurance could be sold, but only if Chubb insurance was not available.

26. Similar Chubb funding arrangements were in place in Aon's New York, Illinois and Oregon offices. These producer funding programs were in addition to regional and national

agreements calling for substantial steering to Chubb. A letter memorializing a national Chubb-Aon producer funding agreement dated December 22, 1999 provided that Chubb fund producers in certain Aon offices and stated: "Aon agrees to give Chubb & Son first right of refusal to personal lines business written through the Aon Private Client Group at the assigned offices." The final agreement in 2000 contained the same language. And in 2001, Chubb loaned $500,000 to Aon "to assist in building your personal lines operation." The agreement further provided for forgiveness of the loan if Aon produced 13% premium growth to Chubb in 2001 and that Chubb would pay Aon an additional $250,000 if Aon achieved 15% Chubb growth. Neither Chubb nor Aon ever disclosed any of these agreements to its clients.

Excess Casualty Insurance Market

27. In the excess casualty insurance market, Chubb benefited from and on a number of occasions acted consistently with the objectives articulated by participants in a Marsh-led scheme to rig the excess casualty insurance bidding process, as described more fully below. Excess casualty insurance covers losses above the limits provided by policyholders' primary property and casualty insurance. Excess casualty insurance typically yields the highest contingent commissions of any type of insurance and therefore is the most profitable to Producers. In some cases where Chubb was the incumbent on the lead layer of insurance coverage, Marsh sought to protect Chubb's incumbency and Chubb received an unfair competitive advantage because Marsh sought out non-competitive bids from other insurers. More specifically, in some cases where Chubb was the incumbent carrier on a lead layer, or was otherwise chosen by Marsh to win a client's business, Marsh set a target price – typically

embodied in a Marsh-authored "broking plan" – which included proposed premium and policy terms. If Chubb's bid was consistent with the Marsh target, Marsh in some cases arranged for Chubb to win the renewal business by instructing other insurance companies to provide intentionally losing bids that were inferior to those provided by Chubb. These losing quotes were known as "fake," "backup," "supportive," "protective quotes," "B Quotes," or simply "B's." Once Marsh had secured such quotes, Marsh would present the false quotes to clients as bids obtained through a genuinely competitive process.

28. In some other cases where Chubb was not the incumbent on a lead layer of excess casualty insurance, Chubb gave Marsh quotes that were higher than the Marsh-set target price, or Chubb chose not to bid at all. Marsh would then use Chubb's bid or declination to protect the incumbent carrier and present the Marsh client with the false appearance that its insurance contract had been competitively bid.

29. One former Chubb employee, who has pled guilty to participating in the Marsh scheme while subsequently working at another company, claims that he was aware of and participated in the scheme while employed at Chubb and had discussed elements of it with his supervisor there. However, the Chubb supervisor named disputes this account.

30. The pretense of competition orchestrated by Marsh was intended to, and did, give clients the impression that the bids Marsh presented were the best available. The Marsh bid rigging scheme harmed consumers because the premium price Marsh chose was higher than what would have been produced through a truly competitive bidding process. Set forth below are specific examples of Chubb benefiting from and on a number of occasions acting consistently

with the expressed objectives of those participating in Marsh's scheme to rig the excess casualty insurance bidding process:

a. Client A is an engineering and information technology company based in Philadelphia, Pennsylvania. In 2000, Client A hired Marsh to place an umbrella liability policy. Marsh sought to place the policy with AIG for a premium of $195,000. To achieve that result, a Marsh employee wrote in an internal Marsh email that he would "like a bullshit quote from [Chubb and Kemper] to support the AIG lead. Please have them quote [$]210,000 and [$]217,000." Marsh faxed Chubb a copy of AIG's predetermined price of $195,000. The next day Chubb provided a quote for $225,000. The policy was placed with AIG for a premium of $195,000.

b. In 2003, a real estate investment company based in Hartford, Connecticut ("Client B") hired Marsh to place an umbrella insurance policy. Client B paid Marsh to find the best coverage at the best price, but Marsh protected the incumbent carrier, Chubb. Marsh simply wrote Chubb and asked "let me know your thoughts regarding how much of an increase you are looking for on this renewal." Then Marsh put together its broking plan calling for a 25% increase in premium, sent it to Chubb, and Chubb quoted to the Marsh broking plan number. Next, Marsh contacted insurer XL America and asked it to be ready to submit a "back up," or B-quote to support Chubb's lead quote. The Marsh broker wrote to XL: "Please note that you are back up for Chubb on the lead. I'll let you know if we need you on this, but I really don't think we will." Client B questioned Chubb's price and asked if it was competitive. The next day, Marsh wrote Client B a memo misrepresenting that Marsh had "gone to XL … to make sure that the [Chubb] pricing is comparable to the rest of the market." Given the client's continued objections, Chubb agreed to a price reduction, but obtained the renewal at a 20% increase in premium.

c. Client C is a manufacturer located in Stamford, Connecticut. In 2001, Client C hired Marsh to place its umbrella liability insurance. Marsh's original "game plan" called for a 28% increase in premium from $136,500 to $175,000 for the incumbent carrier, AIG. Marsh set about soliciting fraudulent quotes to support its inflated premium. Marsh got fraudulent quotes from Liberty Mutual ($275,000) and Zurich American ($210,000). Then a Marsh employee instructed another Marsh employee, "Need Chubb to say no thank you on a lead basis and excess basis at the [Marsh decided] numbers immediately…." Just a few hours after this Marsh discussion, Chubb responded: "we are not interested in participating on the lead umbrella portion of this account. Further, at first glance, the excess portion appears competitively priced …." Client C ended up purchasing its primary layer of 2001 umbrella insurance from AIG for $162,500, a 20% increase over the previous year.

d. Client D is a manufacturer of tools based in New Britain, Connecticut. In 2000, Client D hired Marsh to place an umbrella liability policy. Chubb was the incumbent carrier. Marsh sought to protect Chubb and increase the amount of premium, even though insurer AIG was prepared to submit a competitive bid. A Marsh employee wrote in an internal email: "I can't hold off AIG for too long.... I would like [Client D's] premium to come in at $236,000. This gives Chubb a 13.5% increase – for revenue and auto growth." To produce the desired result, the same Marsh employee also repeatedly wrote fellow Marsh employees that same day asking, "[i]s Kemper [Insurance Company] going to give us a number to protect Chubb or what?" Chubb got Client D's account for the predetermined premium of $236,000.

Finite Reinsurance

31. In addition to participating in steering and benefiting from bid manipulation schemes, Chubb had subsidiaries – Chubb Re, Inc. and Chubb Re (Bermuda) Ltd. (collectively "Chubb Re") – that knowingly participated in a number of non-traditional and finite reinsurance transactions that had little or no business purpose other than improperly improving financial reporting results for Chubb Re's counterparties. In some instances, reinsurance risks seemingly transferred to Chubb Re were undercut by contract terms designed to protect Chubb Re from actually paying any losses under the reinsurance contract. In other instances, Chubb Re benefited from undisclosed side agreements that minimized the risk of Chubb Re paying a claim under the contract. Through these side agreements, the reinsured counterparty assured Chubb Re it would not submit any claims to Chubb Re or that it would allow Chubb Re an opportunity to make up for any losses by writing additional policies.

32. Chubb Re appears to have accounted properly for these no- or low-risk transactions using deposit accounting. However, Chubb Re knew that its counterparties entered into some transactions solely to achieve particular accounting results. This should have led Chubb Re to question whether it was aiding and abetting improper actions by its counterparties.

33. Chubb Re itself used these no-risk deals to improve its relationships with certain desirable clients and gain more business. Chubb Re's clients used the transactions to smooth their earnings, to transfer profits between divisions, to "park" profits in accounts that were not accurately reflected on financial statements, or to ensure bonus targets were met. Below are specific examples of some of the finite reinsurance transactions entered into by Chubb through Chubb Re.

34. Caliber One. In September 2001, Chubb Re, Inc. wrote a reinsurance policy for Caliber One Indemnity Company, a subsidiary of PMA Capital Corp., a Pennsylvania-based insurance holding company. At the same time, Chubb Re purchased an option from Caliber One to write a separate reinsurance policy for Caliber One. This option provided a mechanism to pay Chubb Re back for any losses Chubb Re suffered under the first reinsurance policy. The premium on this option policy was set high enough to offset the maximum claim under the initial reinsurance policy. Thus, if Chubb Re exercised the option it would recover an amount equal to the payments made under the initial policy. Chubb Re then would only have liability exposure under the option policy, where the risk of loss was very limited. The option thus minimized the risk transferred to Chubb Re in the initial reinsurance deal.

35. Furthermore, Chubb Re also received a verbal assurance from an executive at Caliber One's parent company that PMA either would not collect on the option policy, or would make Chubb Re whole if there was a loss. PMA also indicated it was counting on Chubb Re not exercising the option unless there was a claim against Chubb Re on the initial policy.

36. Because the risk of loss to Chubb Re was limited, Chubb Re used deposit accounting on this transaction. Chubb Re's accounting for the transaction was reviewed by its auditor, which took no exception to this uncontroversial accounting treatment. However, Chubb Re did not inform its auditor of PMA's verbal assurances. Moreover, PMA's assurances should have raised concerns at Chubb Re regarding whether PMA and Caliber One were properly recording the transaction as a mere deposit, not involving risk transfer.

37. GMAC Re. Chubb Re (Bermuda) Ltd. took part in two separate deals with GMAC Re Corp. and its affiliates where Chubb Re's participation assisted GMAC Re's improper conduct. In the first deal, a series of transactions in 2002, Inter-Ocean Holdings, Ltd.[1] provided reinsurance to GMAC Re, from January 2002 through February 2003, which Inter-Ocean simultaneously ceded to Chubb Re. In effect, GMAC Re obtained reinsurance from Chubb Re on three lines of GMAC Re's own reinsurance: workers compensation, automobile, and dealer open lot reinsurance (covering cars that sit out in the open on car dealer lots).

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[1]Inter-Ocean, a Bermuda entity in which Chubb acquired an 8.7% interest in 2003, was set up to function as a pass-through vehicle for the business of its shareholders, including Chubb. By the terms of its charter, Inter-Ocean was not permitted to retain any underwriting risk and only participated in a transaction if one of its shareholders also participated. By interposing Inter-Ocean in a transaction, however, the parties were able to obtain offshore tax and regulatory advantages.

38. Chubb Re knew GMAC Re was using this transaction to reallocate profits among the three business lines in order to meet profit targets. The transaction was structured to provide an immediate underwriting profit to the workers compensation and automobile lines. This was off-set by an increased premium cost in the dealer open lot line. Hail storms were the main risk covered in the dealer open lot line and, by delaying the starting date of that coverage to July 2002, hail season was largely bypassed and there was little risk of loss to Chubb Re.

39. Chubb Re used deposit accounting because of the minimal risk of loss on the deal. Chubb Re knew that GMAC Re believed to the contrary: that Chubb Re would use reinsurance accounting. Chubb Re never corrected this mistaken impression, even though GMAC Re specifically requested information concerning Chubb Re's accounting for the transaction. Rather than respond, Chubb Re only told GMAC Re that it could not provide advice on the accounting of any deal.

40. In a second deal between GMAC Re and Chubb Re, where Inter-Ocean again acted as the intermediary, a 2001 transaction originally between GMAC Re and Overseas Partners Re was moved to Chubb Re in July 2003. The contract provided GMAC Re with reinsurance coverage of its entire reinsurance business.

41. GMAC Re, however, was also required to purchase a contingent policy which provided funding to the reinsurer if losses exceeded a certain limit. The policy was designed to provide sufficient income to yield a profit to the reinsurer, and thus minimized the reinsurance risk being transferred by GMAC Re. Because of the low probability of loss, Chubb Re used deposit accounting for the transaction.

42. GMAC Re entered into the deal to obtain a $25 million accounting benefit, and to smooth its earnings. Chubb Re was aware of this when it took over from the original reinsurer.

43. W.R. Berkley. A final example of Chubb Re's finite reinsurance practices is its deal with W.R. Berkley Corp., a Connecticut-based insurance holding company, and its reinsurance subsidiary Signet Star Re, LLC. The transaction was designed to provide immediate accounting benefits to Signet Star. In 2001, 2002 and 2003 Signet Star realized accounting benefits of $24 million, $20 million and $16 million, respectively.

44. At the time of the transaction, a Berkley executive contacted Chubb Re's president and assured him that Chubb Re would not lose any money from dealing with Berkley. Berkley assured Chubb Re that it would continue to do business with Chubb Re to provide an opportunity for Chubb Re to earn back any losses it might suffer on the deal. From discussions with Berkley, Chubb Re's president understood Berkley's purpose in the transaction was to help Signet Star bolster its financial statements.

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45. Based on these findings, the Attorneys General find that Chubb unlawfully failed to disclose conflicts of interest to its policyholders. Chubb (a) participated in schemes to steer business; (b) benefited from and on a number of occasions acted consistently with the expressed objectives of those participating in the Marsh-led scheme to rig the excess casualty insurance bidding process; and (c) improperly used insurance transactions to assist clients to bolster their financial statements.

46. Chubb has been and is continuing to cooperate with the Attorneys General Investigations.

47. In the wake of the issuance of subpoenas and the Attorneys General Investigations, Chubb has adopted, and under this Assurance of Discontinuance and Voluntary Compliance (the "Assurance") will continue to implement, a number of business reforms governing the conduct of employees of Chubb.

48. By entering into this Assurance, the Attorneys General resolve all issues uncovered to date (with the exception of those areas noted below) in the Attorneys General Investigations.

49. The Attorneys General find the relief and agreements contained in this Assurance appropriate and in the public interest. The Attorney General of New York is willing to accept this Assurance pursuant to Executive Law § 63(15), in lieu of commencing a statutory proceeding. The Attorney General of Connecticut is willing to accept this Assurance in lieu of commencing a statutory proceeding under Conn. Gen. Stat. §§ 35-32, 42-110m and 33-1335. The Attorney General of Illinois is willing to accept this Assurance in lieu of commencing a statutory proceeding under 740 ILCS 10/1 et seq. and 815 ILCS 505/1 et seq.

50. This Assurance is entered into solely for the purpose of resolving the Attorneys General Investigations, and is not intended to be used for any other purpose. Without admitting or denying any of the above allegations, Chubb is entering into this Assurance.

51. Nothing herein shall be construed to apply to any business or operations involving group and individual: (1) fixed and variable life insurance, (2) fixed and variable, immediate and

deferred annuities, (3) accidental death and dismemberment insurance, (4) short and long term disability insurance, (5) long term care insurance, (6) accident and health insurance, including vision and dental insurance, (7) credit insurance, (8) involuntary unemployment insurance, (9) guaranteed investment contracts, and (10) funding agreements (collectively "Chubb's Life Insurance Operations"). Notwithstanding any provisions of this paragraph, this Assurance shall apply to any claim by the Attorneys General related to any act or omission by Chubb in connection with the filing of Internal Revenue Service Form 5500, or any schedule thereto, by any Chubb insured (or by the administrator of any benefit plan established or maintained by any Chubb insured), and related to any failure by Chubb to disclose any information about compensation or contingent compensation paid to Producers.

NOW THEREFORE, the Attorneys General and Chubb hereby enter into this Assurance, and hereby agree as follows:

EXCESS CASUALTY POLICYHOLDER FUND

1. On or before December 28, 2006, Chubb shall pay $15 million into a fund (the "Excess Casualty Fund") held by Chubb to be paid to Chubb's policyholders who bound Chubb's excess casualty policies (new or renewal), excluding excess workers compensation policies, through Marsh during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policyholders"). All of the money paid into the Excess Casualty Fund and any investment or interest income earned thereon shall be paid to Eligible Policyholders pursuant to this Assurance. No portion of the Excess Casualty Fund shall be considered a fine or a penalty.

2. The Excess Casualty Fund shall be invested in a designated money market fund subject to the prior approval of the Attorneys General.

3. Chubb shall (a) by February 15, 2007 calculate the amount of money each of the Eligible Policyholders paid for excess casualty insurance placed through Marsh with binding dates (new or renewal) during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policies"); (b) within ten days of completing these calculations, file a report with the Attorneys General, certified by an officer of Chubb, setting forth: (i) each Eligible Policyholder's name and address; (ii) the Eligible Policyholder's Eligible Policy(ies) purchased or renewed and policy number(s); (iii) the amount the Eligible Policyholder paid in premiums for each such policy; and (iv) the amount each policyholder is eligible to receive which shall equal each policyholder's pro rata share of the Excess Casualty Fund as calculated by multiplying the amount in the Excess Casualty Fund by the ratio of the policyholder's gross written premium for Eligible Policies for the period from January 1, 2000 through September 30, 2004, divided by the total gross written premium for all Eligible Policies; and (c) by March 15, 2007, send a notice to each Eligible Policyholder, setting forth items (ii) through (iv), above, and stating that the amount paid may increase if there is less than full participation by Eligible Policyholders in the Excess Casualty Fund (the "Excess Notice"). The form of the Excess Notice shall be subject to the prior approval of the Attorneys General.

4. Eligible Policyholders who receive an Excess Notice and who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 1 on or before August 15, 2007.

5. On or before October 15, 2007, Chubb shall pay, or cause any affiliate of Chubb to pay each Participating Policyholder the amount that that Participating Policyholder is eligible to receive from the Excess Casualty Fund as set forth in paragraph 3(b)(iv) above, and any interest or investment income earned thereon.

6. On or before November 15, 2007, Chubb shall file an interim report with the Attorneys General, certified by an officer of Chubb, listing all amounts paid from the Excess Casualty Fund.

7. In the event that any Eligible Policyholder elects not to participate or otherwise does not respond to the Excess Notice (the "Non-Participating Policyholders"), the amount that such policyholder was eligible to receive from the Excess Casualty Fund as set forth in paragraph 3(b)(iv) may be used by Chubb to satisfy any pending or other claims asserted by policyholders relating to the excess casualty bid rigging or excess casualty steering allegations set forth in this Assurance, provided that in no event shall a distribution be made from the Excess Casualty Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount set forth in paragraph 3(b)(iv) above, and any interest or investment income earned thereon, nor shall the total payments from the Excess Casualty Fund to any Non-Participating Policyholder exceed 80% of the amount that Non-Participating Policyholder was originally eligible to receive as set forth in paragraph 3(b)(iv).

8. If any money remains in the Excess Casualty Fund as of August 15, 2008, any such funds shall be distributed by September 15, 2008, on a pro rata basis to the Participating Policyholders.

9. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of attorneys fees.

10. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of commissions, administrative or other fees to Chubb.

11. On or before November 14, 2008, Chubb shall file a report with the Attorneys General, certified by an officer of Chubb, listing all amounts paid from the Excess Casualty Fund, including any payments subsequent to the payments described in paragraph 6.

PAYMENT OF COSTS OF INVESTIGATION

12. On or before December 28, 2006, Chubb shall pay, or cause any affiliate of Chubb to pay $2 million as reimbursement of the costs of the Attorneys General Investigation, of which $800,000 will be paid by wire transfer to the State of New York, a $400,000 payment will be made in accordance with 815 ILCS 505/7(d) by wire transfer to the State of Illinois, and $800,000 will be paid by wire transfer to the State of Connecticut. Each Attorney General shall provide issuing instructions with respect to the payments.

BUSINESS REFORMS

13. Within 60 days of the date of this Assurance (or such other date as specified below), Chubb shall undertake the following business reforms. Chubb shall not undertake any transaction for the purpose of circumventing the prohibitions contained in this Assurance.

14. For purposes of this Assurance, Compensation shall mean anything of material value given to a Producer including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses, provided that Compensation shall not mean customary, non-excessive meals and entertainment expenses. Chubb shall develop and implement policies for its employees explaining the provisions of this paragraph as part of the standards described in paragraph 28 below. Prior to March 15, 2007, Chubb shall submit to the Attorneys General a draft of the intended policies.

15. For purposes of this Assurance, Contingent Compensation is any Compensation contingent upon any Producer: (a) placing a particular number of policies or dollar value of premium with Chubb; (b) achieving a particular level of growth in the number of policies placed or dollar value of premium with Chubb; (c) meeting a particular rate of retention or renewal of policies in force with Chubb; (d) placing or keeping sufficient insurance business with Chubb to achieve a particular loss ratio or any other measure of profitability; (e) providing preferential treatment to Chubb in the placement process, including but not limited to giving Chubb last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements; or (f) obtaining anything else of material value for Chubb. This definition does not include Compensation paid to employees of Chubb or to their Producers that are captive or are exclusive to Chubb with respect to a specific line or product that is clearly and conspicuously identified in marketing materials as Chubb's line or product. A fixed commission paid to a Producer, set prior to the sale of a particular insurance product, and that may be based

on, among other things, the prior year's performance of the Producer, shall not be considered Contingent Compensation.

16. **Compensation Disclosure.** Beginning six months from the date of this Assurance, Chubb's offices, situated and issuing insurance policies in the United States or its territories, shall send a notice accompanying the insured's policy, stating that the insured can review and obtain information relating to Chubb's practices and policies regarding Compensation on either Chubb's website or from a toll-free telephone number. The information on the website or available through the toll-free number shall be sufficient to inform insureds of the nature and range of Compensation, by insurance product, paid by Chubb. No later than four months from the date of this Assurance, Chubb shall submit to the Attorneys General the proposed format and content of the notice, website and the information available via the toll-free telephone number described in this paragraph. The form and content of the notice, website and information available via the toll-free telephone number shall be subject to the prior approval of the Attorneys General. Chubb shall commence posting the website and operation of the toll-free telephone number no later than six months after the date of this Assurance.

17. **Prohibition on Contingent Compensation.** Chubb's offices situated and issuing policies in the United States shall not pay Contingent Compensation relating to the placement of any insurance policy after December 31, 2006. Chubb may pay Contingent Compensation accrued by Producers prior to January 1, 2007, on or before March 31, 2007.

18. **Permissible Forms of Compensation.** In connection with its issuance, renewal or servicing of insurance policies through a Producer, Chubb shall pay as Compensation only a

specific dollar amount or percentage commission on the premium set at the time of each purchase, renewal, placement or servicing of a particular insurance policy.

19. **Prohibition on Pay-to-Play.** Chubb shall not offer to pay or pay, directly or indirectly, any Producer any Compensation in connection with the Producer's solicitation of bids for the Producer's clients.

20. **Prohibition on Bid Rigging.** Chubb shall not directly or indirectly knowingly offer or provide to any Producer any false, fictitious, artificial, "B" or "throw away" quote or indication. Nothing herein shall preclude Chubb from offering to provide or providing any bona fide quote or indication.

21. **Prohibition on Leveraging.** Chubb shall not make any promise or commitment to use any Producer's brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon any of the factors listed in paragraph 15 (a) - (f) above.

22. **Controls on "Book Rolls."** Chubb shall not enter any agreement or arrangement to transfer 25 or more insurance policies from an insurer unless the agreement or arrangement provides for giving written notice to affected insureds of (a) the reason for the transfer of the policy, including any Compensation paid to the Producer related to the transfer; and (b) a statement that the insured can review and obtain information relating to Chubb's practices and policies regarding Compensation on either a website or from a toll-free telephone number.

23. **Controls on Service Centers**. Persons communicating on behalf of Chubb with any consumer and/or insured participating in any Chubb sponsored or affiliated service center

must immediately and clearly identify themselves to the consumer and/or insured as representing Chubb.

24. **Prohibition on Producer Captive Insurers.** Chubb shall not form, have an interest in, or participate in, either directly or indirectly, any insurance or reinsurance company in which any Producer has any ownership or equity interest, excepting (i) insurance or reinsurance companies in which Producers may own publicly traded stock, or (ii) limited partnerships or joint ventures in which neither Chubb nor a Producer has a controlling interest. This prohibition shall not extend to Chubb's operation of a "rent-a-captive" entity that facilitates alternative risk transfer arrangements for Chubb's customers, as opposed to providing incentives to Producers not acting as managing general agents of Chubb.

25. **Controls on Producer Loans.** Chubb shall not loan money or any other valuable consideration to a Producer, except where such loan is disclosed in writing to any insured purchasing Chubb insurance from such Producer during the term of the loan. For purposes of this provision, the funds held by a Producer between the time that premiums on a policy are collected from the insured and the reasonable time they are remitted to Chubb shall not be considered a "loan" by Chubb of the amounts due.

26. **Controls on Producer Funding Agreements.** Chubb shall not make any payment to a Producer which is intended by Chubb to fund the compensation of any employee of a Producer, or any cost associated with the hiring of any employee of a Producer, provided, however, Chubb may provide such funds or other consideration only where a Producer's employee receiving such funds or other consideration clearly and conspicuously identifies

himself or herself as a representative of Chubb receiving such funds or other consideration to all customers and potential customers. This prohibition shall not extend to Chubb's funding or provision of continuing education or other professional training to employees of a Producer.

27. **Controls on Finite and Non-traditional Reinsurance**. Chubb commits that it will enact policies and procedures satisfactory to the Attorneys General to prevent transactions designed solely to manipulate accounting results, transactions involving insufficient risk transfer created for purposes of improperly qualifying such transactions for reinsurance accounting, and reinsurance transactions that contain undisclosed side agreements.

28. **Standards of Conduct and Training.** Chubb shall implement written standards of conduct regarding Compensation paid to Producers, consistent with the terms of this Assurance, subject to approval of the Attorneys General, which implementation shall include, *inter alia*, appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, antitrust and trade practices compliance, and record keeping.

29. Chubb agrees to support legislation and regulations in the United States to abolish Contingent Compensation for insurance products or lines. Chubb further agrees to support legislation and regulations in the United States requiring greater disclosure of Compensation.

30. Chubb commits that it shall not engage or attempt to engage in violations of New York State Executive Law § 63(12), New York State's Donnelly Act (Gen. Bus. Law § 340 et seq.), New York State's Martin Act (Gen. Bus. Law § 352-c), New York Insurance Law, Conn. Gen. Stat. § 35-24 et seq. (the Connecticut Antitrust Act), § 42-110a et seq. (the Connecticut

Unfair Trade Practices Act) and § 33-1335 (the Connecticut Corporate Accountability Act), and the Illinois Antitrust Act, 740 ILCS 10/1 et seq. and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq.

REINSURANCE REPORTING OBLIGATIONS

31. For a period of five years beginning January 1, 2007, Chubb commits that it will provide annually by May 1 of each year to the Superintendent of Insurance of the State of New York (the "Superintendent") a report, in a format approved by the Superintendent, that includes:

a. A review of ceded and assumed reinsurance of the property/casualty insurance subsidiaries of Chubb required to file statutory financial statements on the NAIC blanks (the "Property/Casualty Insurers") verifying that all contracts comply with SSAP 62 and 75 and the new NAIC disclosure and attestation requirements including the attestation that with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statements, to the best of Chubb's knowledge and belief, after diligent inquiry and unless noted as an exception under the attestation requirement:

i. Consistent with SSAP 62, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed;

ii. For each such reinsurance contract entered into, renewed or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP 62 and 75, is available for review;

iii. The reporting entity complies with all the requirements set forth in SSAP 62 and 75, and any supporting documentation is available for review; and

iv. The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP 62 and 75.

b. A list of all its affiliated insurers, categorized by domicile, whether controlled through ownership or otherwise under the Insurance Law. The list shall include the percentage of ownership or other means by which Chubb controls the affiliated insurer.

c. A list of its ownership of five percent or more of the voting shares of any non-affiliated insurer entities.

d. A list of non-affiliated insurers to whom Chubb Property/Casualty Insurers have ceded business during the preceding calendar year either directly, or through retrocession agreements if known, excluding those captive reinsurance entities that do not accept third party business, where the business ceded represents fifty percent or more of the entire direct and assumed premium written by insurer, based upon such insurer's most recent publicly available financial statements.

Such report shall be certified by the Chief Reinsurance Officer and the Chief Executive Officer of Chubb and a copy of such report shall be submitted to the relevant Audit Committee of Chubb.

32. The Chief Reinsurance Officers of Chubb will maintain approved lists of reinsurers. Chubb will not cede insurance to any reinsurer not set forth on those lists. Such lists will be available to the Superintendent upon examination. All approved reinsurance relationships will be reviewed by the Chief Reinsurance Officer of Chubb and such review will include a written determination of whether the reinsurance entity is affiliated or controlled (by ownership, by contract or otherwise) by Chubb.

33. **Additional Undertakings.**

a. Chubb agrees that it will establish and maintain a training and education program, completion of which will be required for all officers, executives, and employees of Chubb who have supervisory responsibility over accounting, financial reporting and public disclosure functions relating to the United States (collectively, the "Mandatory Participants").

b. The training and education program shall be designed to cover, at a minimum, the following: (i) the obligations imposed by federal and state securities law, including Chubb's financial reporting and disclosure obligations; (ii) the financial reporting and disclosure obligations imposed on Chubb and its subsidiaries by New York State, Illinois, and Connecticut insurance laws; (iii) compliance with federal and state antitrust laws; (iv) proper internal accounting controls and procedures; (v) discovering and recognizing accounting practices that do not conform to GAAP or SSAP or that are otherwise improper; and (vi) the obligations assumed by, and responses expected of the Mandatory Participants upon learning of improper, illegal or potentially illegal acts relating to Chubb and Chubb's accounting and financial reporting. The General Counsel of Chubb shall communicate to Mandatory Participants, in writing or by video, its endorsement of the training and education program.

COOPERATION WITH THE SUPERINTENDENT

34. Chubb commits that Chubb and its insurance subsidiaries will maintain and provide to the Superintendent, upon the Superintendent's request, complete underwriting files, including correspondence and e-mails, and risk transfer analysis to the extent required by SSAP 62 relating to all reinsurance ceded or assumed by Chubb. Chubb commits that Chubb and its insurance subsidiaries will authorize their independent auditors and direct their internal auditors to make available to the Superintendent upon request all work papers of their auditors, including but not limited to all Schedules of Unadjusted Differences.

35. Chubb commits that Chubb and its insurance subsidiaries will file all holding company transactions in a timely manner in compliance with Article 15 of the New York Insurance Law and Department Regulation 52 and such other procedures that Chubb or Chubb's insurance subsidiaries and the Superintendent may agree to from time to time.

36. Chubb commits that Chubb and its insurance subsidiaries will cooperate fully on all examinations and on all other regulatory requests and will respond to all Department inquiries in a prompt, timely and complete manner, subject to applicable laws, and will provide appropriate staff during examinations in order to provide timely responses. Failure to respond to the Department in a timely manner, as required by this paragraph, will constitute violations of

this Assurance and the Insurance Law. Any issues that relate to the timeliness of the responses shall be reported to the Chief Financial Officer of Chubb.

37. Chubb commits that the Chair of the Audit Committee of Chubb and of any of Chubb's insurance subsidiaries, if requested, will meet with the Superintendent and/or a designated official of the Superintendent on an annual basis or more frequently as deemed necessary by the Superintendent.

COOPERATION WITH THE ATTORNEYS GENERAL

38. Chubb commits that Chubb and its insurance subsidiaries shall fully and promptly cooperate with the Attorneys General with regard to their Investigations, and related proceedings and actions, of any other person, corporation or entity, including but not limited to Chubb's current and former employees, concerning the insurance industry. Chubb commits that Chubb and its insurance subsidiaries shall use their best efforts to ensure that all its officers, directors, employees, and agents also fully and promptly cooperate with the Attorneys General in their Investigations and related proceedings and actions. Cooperation shall include without limitation: (a) production voluntarily and without service of subpoena of any information and all documents or other tangible evidence reasonably requested by any of the Attorneys General, and any compilations or summaries of information or data that any of the Attorneys General reasonably request be prepared; (b) without the necessity of a subpoena, having Chubb and its insurance subsidiaries officers, directors, employees and agents attend any proceedings at which the presence of any such persons is requested by any of the Attorneys General and having such persons answer any and all inquiries that may be put by any of the Attorneys General (or any

deputies, assistants or agents of the Attorneys General) to any of them at any proceedings or otherwise ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing, trial or other proceedings); (c) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession relevant to all inquiries reasonably made by any of the Attorneys General concerning any fraudulent or criminal conduct whatsoever about which it has any knowledge or information; (d) in the event any document is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by Chubb indicating: (i) the type of document; (ii) the date of the document; (iii) the author and recipient of the document; (iv) the general subject matter of the document; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document. Any of the Attorneys General may challenge such claim in any forum of their choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by Chubb and its insurance subsidiaries, their officers, directors, employees, or agents; and (e) Chubb and its insurance subsidiaries shall not jeopardize the safety of any investigator or compromise the confidentiality or conduct of any aspect of the investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the relevant Attorney General. Nothing herein shall prevent Chubb and its insurance subsidiaries from providing such evidence to other regulators, or as otherwise required by law.

39. Chubb shall comply fully with the terms of this Assurance. If Chubb violates the terms of paragraph 38 in any material respect, as determined solely by any of the Attorney

Generals: (a) each of the Attorney Generals may pursue any action, criminal or civil, against any entity for any crime it has committed, as authorized by law, without limitation; (b) as to any criminal prosecution brought by the New York or Illinois Attorneys General for violation of law committed within six years prior to the date of this Assurance or for any violation committed on or after the date of this Assurance, Chubb shall waive any claim that such prosecution is time barred on grounds of speedy trial or speedy arraignment or the statute of limitations.

OTHER PROVISIONS

40. Chubb commits that Chubb and its insurance subsidiaries shall implement procedures and controls designed to provide full and complete disclosure to state insurance regulators.

41. Chubb commits that Chubb shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Assurance.

42. None of the provisions of this Assurance shall apply to Chubb's Life Insurance Operations (except as specified in paragraph 51 above).

43. The Attorneys General agree that any prior approval required under the terms of this Assurance shall not be unreasonably withheld.

44. This Assurance is not intended to disqualify Chubb, its subsidiaries, or any of their current employees from engaging in any business in New York, Illinois, Connecticut or in any other jurisdiction. Nothing in this Assurance shall relieve Chubb or its subsidiaries of obligations imposed by any applicable state insurance law or regulations or other applicable law.

45. This Assurance shall not confer any rights upon any persons or entities besides the Attorneys General, Chubb and its insurance subsidiaries.

46. Chubb shall maintain custody of, or make arrangements to have maintained, all documents and records related to this matter for a period of not less than six years.

47. The Attorneys General may make such application as appropriate to enforce or interpret the provisions of this Assurance, or in the alternative, maintain any action, either civil or criminal, for such other and further relief as the Attorneys General may determine is proper and necessary for the enforcement of this Assurance. If compliance with any aspect of this Assurance proves impracticable, Chubb reserves the right to request that the parties modify the Assurance accordingly.

48. In any application or in any such action, facsimile transmission of a copy of any papers to current counsel for Chubb shall be good and sufficient service on Chubb unless Chubb designates, in a writing to the relevant Attorney General, another person to receive service by facsimile transmission.

49. Facsimile transmission of a copy of this Assurance to counsel for Chubb shall be good and sufficient service on Chubb.

50. This Assurance shall be governed by the laws of the State of New York without regard to conflict of laws principles, except that with respect to enforcement actions taken by the Connecticut Attorney General or the Illinois Attorney General, those actions will be governed by the laws of the state of the Attorney General bringing the action without regard to choice of law principles.

51. This Assurance may be executed in counterparts.

Executed this 20th day of December, 2006:

ELIOT SPITZER
Attorney General of the State of New York

____

Office of the New York State Attorney General
120 Broadway, 25th Floor
New York, New York 10271-0332

LISA MADIGAN
Attorney General of Illinois

____

Office of the Attorney General
State of Illinois
100 W. Randolph Street, 12th Floor
Chicago, Illinois 60601-3271

RICHARD BLUMENTHAL
Attorney General of the State of Connecticut

____

Office of the Connecticut Attorney General
55 Elm Street
Hartford, Connecticut 06141-0120

51. This Assurance may be executed in counterparts.

Executed this 20th day of December, 2006:

ELIOT SPITZER
Attorney General of the State of New York

by

Office of the New York State Attorney General
120 Broadway, 25th Floor
New York, New York 10271-0332

LISA MADIGAN
Attorney General of Illinois

Office of the Attorney General
State of Illinois
100 W. Randolph Street, 12th Floor
Chicago, Illinois 60601-3271

RICHARD BLUMENTHAL
Attorney General of the State of Connecticut

Office of the Connecticut Attorney General
55 Elm Street
Hartford, Connecticut 06141-0120

Executed this 21st day of December, 2006:

THE CHUBB CORPORATION

Maureen Brundage

By: Maureen Brundage
Executive Vice President and General Counsel
The Chubb Corporation

EXHIBIT 1

RELEASE

This RELEASE (the "Release") is executed this ___ day of _______, 200_ by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

"RELEASOR" refers to **[fill in name ___________________________________]** and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of RELEASOR.

"RELEASEE" refers to The Chubb Corporation and any of its subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Chubb").

"ASSURANCE" refers to an Assurance of Discontinuance and Voluntary Compliance between Chubb and the Attorney General of the State of New York, the Attorney General of the State of Illinois and the Attorney General of the State of Connecticut (collectively "Attorneys General") dated December 21, 2006 relating to (I) investigation by each of the Attorneys General related to Chubb's alleged use of contingent commission agreements or placement service agreements to steer business; and (ii) investigations by each of the Attorneys General related to Chubb's alleged participation in bid rigging schemes.

RELEASE

1. In consideration for the total payment of $___________ in accordance with the terms of the ASSURANCE, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, (i) any of the allegations, acts, omissions, transactions, events, or matters described in the ASSURANCE, or were subject to investigation by any of the Attorneys General as referenced in the ASSURANCE; (ii) any allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of In re Insurance Brokerage Antitrust Litigation, MDL No. 1663, or the actions pending in the United States District Court for the District of New Jersey captioned In re: Insurance Brokerage Antitrust Litigation, Civ. No. 04-5184 (FSH), and In re Employee Benefit Insurance Brokerage Antitrust Litigation, Civ. No. 05-1079 (FSH) or any related actions filed or transferred to the United States District Court for the District of New Jersey that are consolidated into any of the preceding Civil Action dockets; or (iii) any

allegations of bid-rigging or of the use of contingent commission agreements or placement service agreements to steer business arising from acts or conduct on or before the date of the ASSURANCE; provided, however, that RELEASOR does not hereby release, waive, or discharge RELEASEE from any claims that are based upon, arise out of or relate to (a) the purchase or sale of Chubb's securities; and (b) Chubb's Life Insurance Operations (as defined by the Assurance to which this Release is an exhibit).

2. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to Chubb in connection with any claims that RELEASOR may assert against Chubb, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Chubb.

3. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the internal laws of the State of New York, without giving effect to choice of law principles, except to the extent that federal law requires that federal law governs. Any disputes arising out of or related to this RELEASE shall be subject to the exclusive jurisdiction of the Supreme Court of the State of New York or, to the extent federal jurisdiction exists, the United States District Court for the Southern District of New York.

4. Releasor represents and warrants that the claims have not been sold, assigned or hypothecated in whole or in part.

Dated:

RELEASOR:

By:

Print Name:

Title: